

SENATE BILL 1083

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CF HB 1209

By: **Senators DeGrange, Kasemeyer, King, Munson, Peters, Robey, and Stoltzfus**

Introduced and read first time: March 3, 2010

Assigned to: Rules

Re-referred to: Budget and Taxation, March 12, 2010

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 3, 2010

CHAPTER _____

1 AN ACT concerning

2 **Property Tax – Semiannual Payment ~~for Real Property~~ Schedule – Small**
3 **Business Property**

4 FOR the purpose of requiring the governing body of a county or the governing body of
5 a municipal corporation to provide ~~for~~ a semiannual payment ~~of~~ schedule for
6 State, county, municipal corporation, and special taxing district property taxes
7 for on certain real property; ~~repealing certain obsolete provisions; defining a~~
8 certain term; providing for the application of this Act; and generally relating to
9 ~~the payment of property taxes for residential property~~ a semiannual property
10 tax payment schedule for certain real property.

11 ~~BY repealing and reenacting, without amendments,~~
12 ~~Article – Tax – Property~~
13 ~~Section 10–204.3(a)~~
14 ~~Annotated Code of Maryland~~
15 ~~(2007 Replacement Volume and 2009 Supplement)~~

16 BY repealing and reenacting, with amendments,
17 Article – Tax – Property
18 Section 10–204.3(b)
19 Annotated Code of Maryland
20 (2007 Replacement Volume and 2009 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 ~~BY repealing~~

2 ~~Article – Tax – Property~~

3 ~~Section 10–204.3(e)~~

4 ~~Annotated Code of Maryland~~

5 ~~(2007 Replacement Volume and 2009 Supplement)~~

6 ~~BY renumbering~~

7 ~~Article – Tax – Property~~

8 ~~Section 10–204.3(d) through (j), respectively~~

9 ~~to be Section 10–204.3(e) through (i), respectively~~

10 ~~Annotated Code of Maryland~~

11 ~~(2007 Replacement Volume and 2009 Supplement)~~

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article – Tax – Property**

15 10–204.3.

16 ~~(a) In this section, “owner-occupied residential property” means the~~
17 ~~principal residence of a homeowner as defined in § 9–105 of this article.~~

18 (a) **(1) In this [section, “owner-occupied] SECTION THE FOLLOWING**
19 **WORDS HAVE THE MEANINGS INDICATED.**

20 **(2) “OWNER-OCCUPIED residential property” means the principal**
21 **residence of a homeowner as defined in § 9–105 of this article.**

22 **(3) “SMALL BUSINESS PROPERTY” MEANS REAL PROPERTY:**

23 **(I) THAT HAS BEEN ASSIGNED A COMMERCIAL USE CODE BY**
24 **THE DEPARTMENT; AND**

25 **(II) FOR WHICH THE TOTAL STATE, COUNTY, MUNICIPAL**
26 **CORPORATION, AND SPECIAL TAXING DISTRICT PROPERTY TAXES FOR THE**
27 **TAXABLE YEAR DO NOT EXCEED \$50,000.**

28 (b) Notwithstanding Subtitle 1 of this title:

29 (1) the governing body of a county shall provide a semiannual
30 payment schedule for State, county, and special taxing district property taxes due on
31 owner-occupied residential property ~~AND AN OPTIONAL SEMIANNUAL PAYMENT~~
32 ~~SCHEDULE FOR ALL OTHER REAL OR SMALL BUSINESS PROPERTY;~~ and

33 (2) the governing body of a municipal corporation shall provide a
34 semiannual payment schedule for municipal corporation and special taxing district

1 property taxes due on owner-occupied residential property ~~AND AN OPTIONAL~~
2 ~~SEMIANNUAL PAYMENT SCHEDULE FOR ALL OTHER REAL~~ OR SMALL BUSINESS
3 PROPERTY.

4 (c) A semiannual payment schedule under this section shall apply:

5 (1) at the time of the transfer of property purchased on or after July 1,
6 2000; and

7 (2) to any current or future owner of owner-occupied residential
8 property OR SMALL BUSINESS PROPERTY, regardless of whether the property was
9 purchased before July 1, 2000.†

10 (d) (1) The semiannual payment schedule under this section shall apply
11 to:

12 (i) the property tax due for the tax year following transfer of
13 the property; and

14 (ii) the property tax due and not in arrears for the current tax
15 year for any transfer occurring on or after July 1 but on or before September 30.

16 (2) The first installment of a semiannual payment shall be paid on or
17 before September 30.

18 (e) A semiannual payment schedule may include a service charge to be paid
19 with the second installment.

20 (f) A service charge:

21 (1) shall be:

22 (i) adopted by the taxing authority that collects the property
23 taxes after obtaining the prior approval of the amount of the service charge from the
24 Department, as part of adoption of the property tax rate under §§ 6-301 through
25 6-303 of this article;

26 (ii) applicable to all property tax being collected by the taxing
27 authority on the semiannual payment schedule for itself and for any other taxing
28 authority;

29 (iii) expressed as a percent of the amount of tax due at the
30 second installment and shown on the tax bill as a percent and actual dollar amount
31 charged; and

32 (iv) calculated in an amount:

1 1. reasonably equivalent to the anticipated lost interest
2 income associated with the 3-month delay in payment of the second installment by
3 multiplying the amount of the second installment by a rate not exceeding 1.5%; and

4 2. covering administrative expenses associated with the
5 semiannual payment not exceeding the lesser of the actual expenses incurred in the
6 preceding fiscal year per semiannual tax account as approved by the State
7 Department of Assessments and Taxation or 10% of the charge for the anticipated lost
8 interest income as calculated in item 1 of this item;

9 (2) does not apply if both installments of property tax are paid on or
10 before September 30 of the taxable year; and

11 (3) may not be considered to be a property tax for the purposes of any
12 provision of a local law or charter that limits the property tax rate or property tax
13 revenues.

14 (g) The local taxing authority shall provide to the Department by May 1 of
15 each year, information that substantiates that the proposed service charge for the
16 anticipated lost interest is reasonably equivalent to the amount of interest that will be
17 lost as a result of the semiannual payment.

18 (h) (1) The property tax bill under a semiannual payment schedule:

19 (i) shall state:

20 1. the amount of the tax due if paid in full, including any
21 applicable discounts for early payment;

22 2. the amount of the tax due if paid in semiannual
23 installments, including any applicable discounts for early payment of the first
24 installment;

25 3. the amount of any service charge to be paid with the
26 second installment unless the second installment is paid on or before September 30 of
27 the taxable year;

28 4. that the service charge does not apply if both
29 installments are paid on or before September 30 of the taxable year; and

30 5. the date the tax payment is due; and

31 (ii) shall be subject to approval by the Department of
32 Assessments and Taxation.

33 (2) The Department shall approve any local semiannual payment
34 schedule collection that:

1 (i) provides efficient and cost-effective collection of taxes; and

2 (ii) provides two semiannual coupons, two semiannual billing
3 forms, or a similar method that allows taxpayers to pay on a semiannual basis.

4 (3) Local semiannual payment schedule collection systems that are not
5 approved by the Department shall utilize 2 semiannual payment coupons that shall be
6 submitted with the appropriate payment.

7 (i) A payment under a semiannual schedule:

8 (1) for the first installment:

9 (i) is due on July 1 of the tax year; and

10 (ii) may be paid without interest on or before September 30 of
11 the tax year; and

12 (2) for the second installment:

13 (i) is due on December 1 of the tax year;

14 (ii) except for the service charge, may be paid without interest
15 on or before December 31 of the tax year; and

16 (iii) may be prepaid without the service charge or interest on or
17 before September 30 of the tax year.

18 (i) (1) If an escrow account is established for the payment of the property
19 tax, the escrow account servicer shall pay tax in semiannual installments unless the
20 escrow account servicer has received written direction from the property owner or
21 borrower to pay property tax in annual payments.

22 (2) If a taxpayer provides written direction to an escrow account
23 servicer at least 60 days prior to the beginning of the tax year, property taxes shall be
24 paid on an annual payment basis on behalf of that taxpayer by the escrow account
25 servicer in the tax year that begins immediately following the year in which the
26 written direction was received.

27 (3) If a taxpayer provides written direction to an escrow account
28 servicer less than 60 days prior to the beginning of the tax year, property taxes may be
29 paid on an annual payment basis on behalf of that taxpayer by the escrow account
30 servicer in the tax year that begins immediately following the year in which the
31 written direction was received.

1 ~~SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 10-204.3(d)~~
 2 ~~through (j), respectively, of Article Tax Property of the Annotated Code of~~
 3 ~~Maryland be renumbered to be Section(s) 10-204.3(e) through (i), respectively.~~

4 SECTION ~~3~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take
 5 effect ~~June~~ October 1, 2010, and shall be applicable to all taxable years beginning after
 6 June 30, ~~2010~~ 2011.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.